

# **EXHIBIT 10**

# GRACE FAX

Specialty Vermiculite

Date March 26, 2001Number of pages including cover sheet 7

**TO:** John Bellevoe  
Neutocrete

Phone  
Fax Phone (860) 354-6501

**FROM:** David G. Pickering  
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**REMARKS:** ☐ Urgent ☒ For your review ☐ Reply ASAP ☒ Please Comment

Dear John,

As we agreed in our meeting last week, I am sending written details of our discussions and suggestions for Neutocrete. I have arranged to have a 55 gallon drum of Daraweld C sent to your attention. That should have gone out on Thursday, so you should get it by early next week. I have included the proposed formulations using Daraweld C. I think it would be worthwhile if the tests could be scheduled so that Eric and/or I can be present when they are placed. If we could see a "standard" job, and then see the test materials placed, that would help us to see what the differences are and understand how the test changes are affecting the Neutocrete.

Below you will find information on the Grace lot system. This should allow you to track the lot numbers on the bags and understand where they come from. Also, as I mentioned to you on Friday, I have made initial arrangements for your visit to our Enorce Facility on April 11. I will be down there during your visit. I am currently planning on flying in Tuesday night, and then having us go to the plant Wednesday morning. If we start at 9:00 AM, I would think that we would be done by lunch time. I will probably stay down in the area on other business. I will arrange to get you directions to the plant, and can suggest places to stay in the area if you desire.

Grace lot key:

K14C12      K -- Kearney  
14 - day of the month  
C - letter code for month C is March  
1 - Year code (2001)  
2 - shift

Also, as we discussed in our phone conversation, we need to get your information regarding bag shrinkage or improper vermiculite/cement mixture so that we can come to a conclusion on the credit issue. We would like to get that wrapped and get payment from you on the old invoices by the end of the month.

## Confidentiality Notice

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**GRACE**

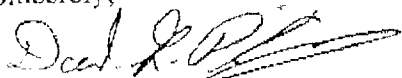
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Please get me the information on Monday, if possible, so that we get everything finalized. As we discussed in our meeting Grace will only be responsible for the product under its control (shortage, improper cement formulation - which has yet to be demonstrated that this ever occurred).

I have attached copies of two charts showing the variations in bag weights that our plant has seen before and after rebuilding our mixer. As you will see, the standard deviation after rebuilding the mixer was reduced to 0.7 lb/bag. We do recognize that there were problems with low bag weights in the past. We will be happy to issue you a credit for the amount of material that you may have been shorted. Based on our calculations, this would be at most a total of 200-300 bags of material. That is based on looking at the total amount of material that may have been shorted. We would not issue you a credit for each bag that was underweight, we would issue you a credit for the amount of material that the bag was shorted.

If you have any questions, please give me a call.

Sincerely,



David G. Pickering

Technical Sales Representative

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## Action Plan

1. We recommend running a series of tests to see if we can optimize the formulation. We want to minimize the number of variables that are changed in each test, so that we can see the effect of each change. Our recommended tests are:  
First Test - Use test formulation with extra cement (2 pallets sent on March 15) at as close as possible to the recommended 4.2 gal/bag of water.  
Second Test - Run a test job using Daraweld C in with the existing Neutocrete formulation. This should be done using the current Neutocrete formulation using the Daraweld C as a water replacement at a 3:1 ratio. The total water usage should be 5.6 gal/bag. This corresponds to 4.2 gal of water, and 1.4 gal of Daraweld C per bag of Neutocrete.  
Third Test - Use current Neutocrete formulation using 5.6 gal/bag of water and minimizing plastic under the Neutocrete.
2. I have arranged for a 55 gallon drum of Daraweld C to be sent to you for the tests. You should receive it this week.
3. Contact Grace when the tests are scheduled so that we can go be there when the test material is placed.
4. Neutocrete needs to supply Grace with any documentation supporting their claims for rebate ASAP. Grace would like to resolve this issue, give Neutocrete a credit for whatever amount is agreed to, and have Neutocrete make payment for outstanding invoices by the end of the month.
5. I have included more detailed information on the various formulations below for your information.

## Current Formulation

- The current formulation uses what we call a 1:6 mix. This uses approximately 0.45 lbs of vermiculite to 1 lb of cement. The recommended water dosage for this mix is 5.6 gallons/bag.
- This formulation should have a coverage rate of approximately 8 ft<sup>2</sup>/bag (at a 3" depth)
- The compressive strength of this formulation is expected to be 100-200 psi range
- Neutocrete has been using approximately 8 gal/bag of water. This is most likely the contributing factor to the shrinkage cracking problems.
- We feel that the use of plastic under almost all areas that the Neutocrete covers is also contributing to the cracking problem.
- The Neutocrete does not bond to the plastic. It is only bonded at the walls. When the material shrinks as it dries, there is no bond to the ground to prevent cracking.
- In addition, as the Neutocrete dries, it will shrink away from the plastic forming voids under the Neutocrete. The compressive strength of the Neutocrete is not high enough to support a person's weight when this bridging occurs. You therefore get cracking or popping as the Neutocrete breaks under the load, and settles to the ground. This contributes to the appearance of cracking.
- Another factor that the round air pockets that are sometimes seen on the surface may also be caused by the plastic. These air bubbles are typically grouped together in certain areas. It is our speculation that this is where the overlap of the plastic occurs. Then the Neutocrete is spread over the plastic it can trap air under the plastic. This can then "burp" out at these overlaps, causing the bubbles.
- Make sure that customers understand that the Neutocrete is not a wearing surface, and they should not treat it as if it were a concrete floor.
- Avoid using in inappropriate applications, such as full basement floors.

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## Recommendations:

1. Reduce the water content of the Neutocrete down closer to the recommended 5.6 gal/bag. Increasing the water to improve flowability when pumping into very hard to reach spots can be done.
2. Do not cover the entire surface with plastic prior to placing the Neutocrete. Cover selected spots that are very wet to minimize water seeping through the Neutocrete, but leave gaps where the Neutocrete can bond to the substrate. Perhaps a patchwork of plastic with 1-3" gaps between the sheets.
3. If possible, cover the placed Neutocrete with plastic. This will slow drying and prevent cracking. It will also emphasize that the Neutocrete is not a wear surface. We understand that you have problems with this for esthetic reasons.
4. Look at using Daraweld C to coat the surface after 30 days to provide a moisture barrier and reduce dusting as a value added service.

## Increased Cement Formulation

- In the shipment that was sent on 03/16/2001, we included 2 pallets of test material with increased cement content.
- This would be what we call a 1:4 mix, containing a vermiculite to cement ratio of 0.3 lbs of vermiculite to 1 lb cement.
- The recommended water usage will be reduced from 5.6 gal/bag to 4.2 gal per bag. Since Neutocrete is currently using 8 gal/bag with the 1:6 mix, it is unclear whether you will be able to hit the recommended 4.2 gal/bag rate.
- The coverage rate for this formulation will likely be less than 6 ft<sup>2</sup>/bag (3" depth).
- This material will be stronger than the current formulation. We would expect compressive strengths in the 300-500 psi range.
- Large scale cracking should be reduced, although you may get more hairline cracks.
- We recommend making the same changes in the use of the plastic as with the current formulation.

## Daraweld C surface treatment -- Value added service

- Daraweld C can be used to produce a water resistant, low dusting surface for the Neutocrete.
- Dilute the Daraweld C with 2 parts water, and apply to the surface. This can be done by spraying, or with a sponge or mop (you can also add some cement for color texture)
- We suggest waiting at least 30 days after initial placement of the Neutocrete before treating with Daraweld C.
- Since the Neutocrete is very porous, a second coating with Daraweld C may be needed to provide maximum water resistance.
- Daraweld C can also be used as a bonding agent. Spraying some Daraweld C onto cracks before repairing them should provide a better bond with the repair material.

## Daraweld C Formulation

- We believe that adding Daraweld C to the formulation may be the best solution to your problems.
- The Daraweld C must be added at the mixer, because once it dries it will not redisperse.
- Our suggested dosage rate is to use the Daraweld C as a water replacement in a 1:3 (Daraweld C to Water ratio). This would reduce cracking, improve water repellency, increase bond strength and bonding to substrate and walls, improve compressive strength. We suggest that Daraweld C and water be mixed first then added into mixer.

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- Be very careful to make sure that the Daraweld C is cleaned off all equipment. If it is not it will cause equipment problems.
- The addition rates for various ratios of Daraweld C (DC) at different total water addition rates are shown below

## Standard 1:6 Neutocrete (current formulation)

### Using 5.6 gal water per bag as standard:

<u>Ratio Water: DC</u>	<u>Gal Water/bag</u>	<u>Gal DC/Bag</u>
4:1	4.48	1.12
3:1	4.20	1.40
2:1	3.73	1.87

## Test 1:4 mix (2 pallets from 3/15/01)

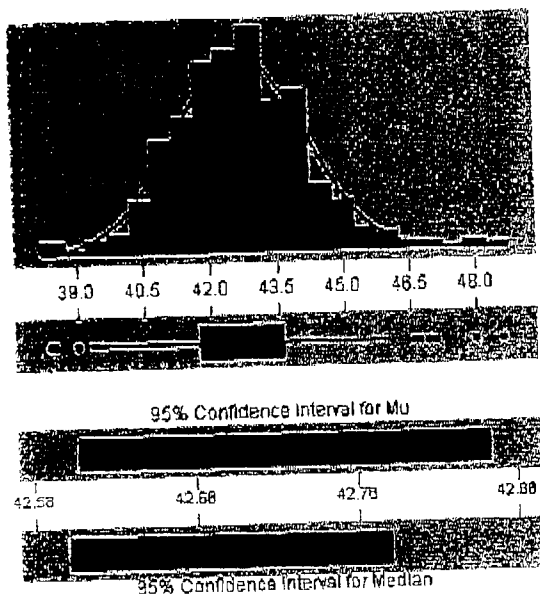
### Using 4.2 gal water per bag as standard:

<u>Ratio Water: DC</u>	<u>Gal Water/bag</u>	<u>Gal DC/Bag</u>
4:1	3.36	0.84
3:1	3.15	1.05
2:1	2.8	1.4

- We would recommend using a 3:1 water:DC ratio for initial testing. If that works, we can then look at reducing the ratio.
- Using this formulation, you may be able to reduce your application thickness from 3" to 2". This will help offset some of the added cost of the Daraweld C.
- There will be significant cost increases using the Daraweld C formulation.
- A rough cost estimate appears below. This is probably a worst case estimate, as the cost of the Daraweld C can go down with volumes, and you may be able to decrease the Neutocrete thickness to increase your coverage rates.

	<u>\$/Unit</u>	<u>Ft<sup>2</sup> coverage</u>	<u>\$/ft<sup>2</sup></u>	
Neutocrete	\$5.27	8	\$0.66	Formula at current usage and coverage rates Using 3:1 ratio (1.4 gal per bag) and same coverage rates
Daraweld C	\$9.58	3	\$3.19	
Total			\$2.35	

## Descriptive Statistics



Variable: BAG WT

## Anderson-Darling Normality Test

A-Squared: 1.148  
P-Value: 0.005

Mean 42.7348  
StDev 1.4374  
Variance 2.06605  
Skewness 0.280963  
Kurtosis 1.24258  
N 480

Minimum 38.4000  
1st Quartile 41.8000  
Median 42.7000  
3rd Quartile 43.6250  
Maximum 48.6000

95% Confidence Interval for Mu  
42.6072 42.8624

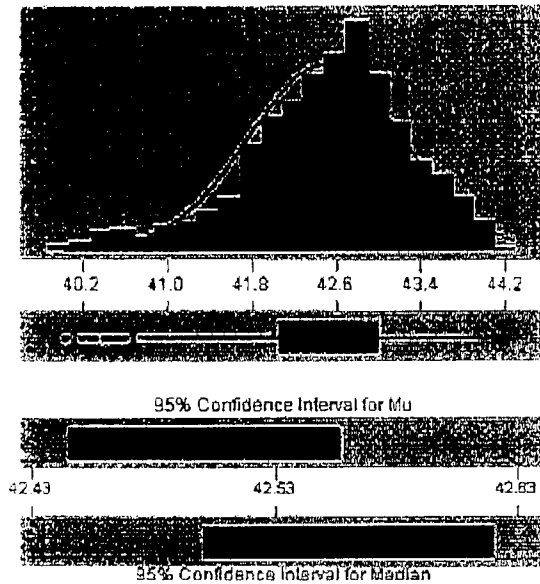
95% Confidence Interval for Sigma  
1.3527 1.5335

95% Confidence Interval for Median  
42.6000 42.8000

Before rebuilding mixer

## Descriptive Statistics

Post Repair/Cleaning  
Variable: Bag Weight



## Anderson-Darling Normality Test

A-Squared: 3.289  
P-Value: 0.000

Mean 42.5012  
StDev 0.7415  
Variance 0.549803  
Skewness -5.6E-01  
Kurtosis 0.428670  
N 682

Minimum 40.0500  
1st Quartile 42.0800  
Median 42.6000  
3rd Quartile 43.0000  
Maximum 44.0000

## 95% Confidence Interval for Mu

42.4455 42.5570

## 95% Confidence Interval for Sigma

0.7041 0.7831

## 95% Confidence Interval for Median

42.5000 42.6200

After rebuilding mixer